

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Redford</u>	County <u>Wayne</u>
Audit Date <u>March 31, 2005</u>	Opinion Date <u>July 20, 2005</u>	Date Accountant Report Submitted To State: <u>September 29, 2005</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address <u>1000 Oakbrook Drive, Suite 400</u>	City <u>Ann Arbor</u>	State <u>MI</u>	ZIP <u>48104</u>
Accountant Signature 			

Charter Township of Redford Wayne County, Michigan

**Financial Report
with Supplemental Information
March 31, 2005**

Charter Township of Redford

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Charter Township of Redford

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Redford
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Redford as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Redford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Redford as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees
Charter Township of Redford
Wayne County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Redford's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2005 on our consideration of the Charter Township of Redford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

July 20, 2005

Charter Township of Redford

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Redford's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2005:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$217,000 this year from the 2004 fiscal year and over \$1,500,000 since the 2001 fiscal year.
- Short-term interest rates have reversed the recent year's downward trend and have begun to rise. Investment earnings increased modestly for the 2005 fiscal year by about \$20,000 above 2004, but remain about \$800,000 per year below 2001 fiscal year levels.
- Employee and postemployment health care costs for 2005 were \$4,900,000, continuing to escalate at approximately 10 percent, or \$500,000, well in excess of the broad base CPI inflation rate.
- The Township continues to downsize operations in General Fund activities, reorganizing operations to be less dependent on tax revenues while nearly eliminating capital outlay projects. Even with these proactive measures, there was a decrease of approximately \$286,000 in fund balance at fiscal year end.
- Total net assets related to the Township's governmental activities increased by approximately \$806,000.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Redford

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the approximate net assets as of March 31, 2005 and 2004:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current assets	\$ 27,521,000	\$ 26,956,000	\$ 6,484,000	\$ 6,223,000	\$ 34,005,000	\$ 33,179,000
Noncurrent assets	<u>13,698,000</u>	<u>14,340,000</u>	<u>49,982,000</u>	<u>51,471,000</u>	<u>63,680,000</u>	<u>65,811,000</u>
Total assets	41,219,000	41,296,000	56,466,000	57,694,000	97,685,000	98,990,000
Liabilities						
Current liabilities	5,412,000	5,460,000	2,411,000	2,881,000	7,823,000	8,341,000
Long-term liabilities	<u>10,768,000</u>	<u>11,603,000</u>	<u>15,815,000</u>	<u>17,132,000</u>	<u>26,583,000</u>	<u>28,735,000</u>
Total liabilities	<u>16,180,000</u>	<u>17,063,000</u>	<u>18,226,000</u>	<u>20,013,000</u>	<u>34,406,000</u>	<u>37,076,000</u>
Net Assets						
Invested in capital assets -						
Net of related debt	6,092,000	5,935,000	32,135,000	31,360,000	38,227,000	37,295,000
Restricted	6,664,000	6,033,000	952,000	1,162,000	7,616,000	7,195,000
Unrestricted	<u>12,283,000</u>	<u>12,265,000</u>	<u>5,153,000</u>	<u>5,159,000</u>	<u>17,436,000</u>	<u>17,424,000</u>
Total net assets	<u>\$ 25,039,000</u>	<u>\$ 24,233,000</u>	<u>\$ 38,240,000</u>	<u>\$ 37,681,000</u>	<u>\$ 63,279,000</u>	<u>\$ 61,914,000</u>

The current level of unrestricted net assets for our governmental activities stands at \$12,283,000, or about 37 percent of expenditures.

Charter Township of Redford

Management's Discussion and Analysis (Continued)

The following table shows the approximate changes of net assets for the years ended March 31, 2005 and 2004:

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue						
Program revenue:						
Charges for services	\$ 7,831,000	\$ 7,718,000	\$ 15,144,000	\$ 14,837,000	\$ 22,975,000	\$ 22,555,000
Operating grants and contributions	1,426,000	1,475,000	-	-	1,426,000	1,475,000
Capital grants and contributions	196,000	185,000	204,000	-	400,000	185,000
General revenue:						
Property taxes	17,866,000	16,962,000	-	-	17,866,000	16,962,000
State-shared revenue	5,764,000	5,981,000	-	-	5,764,000	5,981,000
Unrestricted investment earnings	357,000	221,000	77,000	61,000	434,000	282,000
Miscellaneous - Refunds	223,000	235,000	-	-	223,000	235,000
Gain (loss) on sale of assets	10,000	(56,000)	12,000	3,000	22,000	(53,000)
Transfers and other revenue	-	-	154,000	-	154,000	-
Total revenue	33,673,000	32,721,000	15,591,000	14,901,000	49,264,000	47,622,000
Program Expenses						
General government	6,900,000	6,630,000	-	-	6,900,000	6,630,000
Public safety	17,334,000	17,149,000	-	-	17,334,000	17,149,000
Public works	4,612,000	4,535,000	-	-	4,612,000	4,535,000
Health and welfare	512,000	434,000	-	-	512,000	434,000
Community and economic development	2,060,000	1,755,000	-	-	2,060,000	1,755,000
Recreation and culture	917,000	1,042,000	-	-	917,000	1,042,000
Interest on long-term debt	378,000	409,000	-	-	378,000	409,000
Indoor ice rink	-	-	587,000	616,000	587,000	616,000
Water and sewer	-	-	11,966,000	12,279,000	11,966,000	12,279,000
Golf course	-	-	1,350,000	1,294,000	1,350,000	1,294,000
Senior housing	-	-	485,000	549,000	485,000	549,000
Protective inspection	-	-	924,000	867,000	924,000	867,000
Transfers	154,000	-	-	-	154,000	-
Total program expenses	32,867,000	31,954,000	15,312,000	15,605,000	48,179,000	47,559,000
Change in Net Assets	\$ 806,000	\$ 767,000	\$ 279,000	\$ (704,000)	\$ 1,085,000	\$ 63,000

The Township is a mature community that developed post-World War II as an early suburban community. Because of our fully developed status, there is little space for new development and tax-base growth. Our efforts are being directed at redevelopment, especially of commercial, industrial, and public lands.

The health care cost for the Township is approximately \$4,900,000, with \$2,300,000 paying for retiree health care and \$2,600,000 for active employees.

Governmental Activities

Local property taxes and state-shared revenues make up approximately 70 percent, or \$23,630,000, of the Township's total governmental revenues of \$33,673,000. The largest area of expenditures is in the public safety and criminal justice activities, costing approximately \$19,700,000, or 60 percent, of the total governmental revenues. The public works activities, including solid waste disposal, cost approximately \$4,600,000, or 14 percent, of revenues. The remaining \$8,570,000, or 26 percent, of revenues pay for recreation, community development, health and welfare, general government activities, and interest on debt. Of the total \$6,900,000 expenditures in the general government activities, approximately \$2,350,000, or 40 percent, are expenditures for the district court and criminal justice departments.

Charter Township of Redford

Management's Discussion and Analysis (Continued)

Business-type Activities

The business-type activities consist of the Water and Sewer Fund, Indoor Ice Rink Fund, Golf Course Fund, Senior Citizen Housing Fund, and the Protective Inspection Fund.

- The Township provides water and sewer services to residents and businesses connected to the system. The system generates revenues from customers of the system, such that the system is financially self-sufficient and not reliant on taxes. The Township purchases water as a wholesale customer of the Detroit water and sewer department. The Township hired an engineering firm in February 2004 to study the water distribution and metering system to determine the factors contributing to the water loss increase. The results of the study identified several areas of water loss that have been corrected. Early indications show a significant reduction in the water loss percentage. As a result, the Water and Sewer Fund had an operating surplus for 2005. The Township operates a combined sewerage transmission system that collects sanitary sewerage from customers and storm water run-off during rain events for delivery to the Detroit sewerage treatment facility. The fund realized an operating surplus of approximately \$766,000 and an increase in net assets of approximately \$291,000.
- The Township operates an ice rink as a recreational facility. The ice rink finances are accounted for as a business-type activity. In recent years, the perception that ice hockey and skating have become more popular regionally has led to increased competition with the construction of at least a dozen new ice surfaces in the area, both municipal and privately owned. The result has been a reduction in non-prime time ice rentals and annual reductions in gross revenues. This contributed to a current year operating loss and a decrease in net assets of approximately \$167,000. In response, the Township has decided to lease the facility to a private operator. The hockey program, figure skating program, and facility maintenance will transfer to the private operator beginning July 1, 2005. The Township will incur transition costs in the 2005-2006 fiscal year, but will eliminate future operating loss risks while generating lease income from the operator.
- The Township owns and operates Glenhurst Municipal Golf Course as a business-type activity. The operations of the golf course have continually generated sufficient surpluses to provide resources for major reinvestment in the golf course infrastructure. Last year, an \$800,000 renovation project was completed on the course. The improvements have been well received by our regular patrons. The capital improvements and renovations were paid from retained earnings. The existing debt of \$904,000 is from bonds issued to purchase the course in 1989 and later refinanced to take advantage of lower interest rates.

Charter Township of Redford

Management's Discussion and Analysis (Continued)

- The Township owns and operates a 92-unit independent-living senior citizens apartment complex named Minock Meadows, available to current and former residents, and family members of residents. The facility provides reasonably priced market rate housing for self-sufficient seniors interested in remaining in the Township. The financial results show an operating surplus of \$255,000 and an increase in net assets of \$99,000. The facility was opened October 1, 1993. The construction was financed by issuing bonds, of which \$3,260,000 of principal remains outstanding.
- The Protective Inspection Fund is operated as a business-type activity. The fund accounts for activities related to construction code enforcement. The fund experienced an operating loss in the current year and required a subsidy from the Township's General Fund of just over \$150,000. The goal of the operation is to generate sufficient revenues from building ordinance code fees to support the cost of operations.

The Township's Funds

Our analysis of the major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as solid waste, special grants, and capital projects. The Township's major funds for fiscal year 2005 include the General Fund and the Community Development Block Grant Fund.

- The General Fund pays for most of the Township's governmental services. The most costly services are police and fire, which incurred expenses of approximately \$16,200,000 in fiscal year 2005. These two activities are partially funded by three police and fire millages. During the current year, this amounted to approximately \$3,700,000 for operations and \$3,200,000 for the retirement system. The remaining \$9,300,000 operating cost of the police and fire departments is funded by other revenue of the General Fund. In addition, the General Fund pays for the cost of general governmental services including district court, probation and criminal justice activities, treasury and financial operations, central staff services, recreation, public works, and various other activities totaling \$9,300,000.
- The Community Development Block Grant program is a Special Revenue Fund supported by federal entitlements from the U.S. Department of Housing and Urban Development of approximately \$1,800,000, including program income. The programs are targeted for neighborhoods and projects that meet the requirements of the federal government.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. An amendment was passed, decreasing estimated revenues by \$424,000. Revenues from Court fines and State revenue sharing were the categories with the most significant shortfalls.

Charter Township of Redford

Management's Discussion and Analysis (Continued)

On the appropriation side of the budget, adjustments were made to various departments responding to the revenue shortages, but an appropriation of available fund balance covered the majority of the \$144,000 of actual expenditures over budget.

Capital Asset and Debt Administration

At the end of the fiscal year, the Township had over \$62,000,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines, net of related accumulated depreciation. The capital assets made up 63 percent of the Township's total assets amount of \$97,684,000. Capital expenditures programs were all but eliminated this year. There were no major purchases this year from the governmental activities or business-type activities of the Township.

The long-term debt amount of \$23,849,000 is all related to the investment in capital assets. In this fiscal year, the Township incurred no new debt. At the end of the fiscal year, the Township had \$7.5 million in debt in the governmental-type activities while business-type activities had \$16.3 million outstanding, with 75 percent of that in the Water and Sewer Fund.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year calls for property tax rates slightly less than those levied for the 2004-2005 budget due to an increase in Police and Fire Pension Special Assessment. The township is a mature community with growth in taxable value limited to the inflation factors of Headlee and Proposal A. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

Water and sewer rates will have no change in the 2005-2006 year. We were notified that the City of Detroit Water Board was not imposing an increase in their rate to the township and Wayne County was increasing the fixed portion of the fee nominally with no increase in the variable rate.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's finance department.

Charter Township of Redford

Statement of Net Assets March 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 21,107,428	\$ 3,747,150	\$ 24,854,578	\$ 255,246
Receivables - Net (Note 3)	5,746,546	2,864,585	8,611,131	8,758
Internal balances	195,749	(195,749)	-	-
Due from component units	62,892	-	62,892	-
Inventories and other assets	1,392	68,209	69,601	-
Deposits	470,034	-	470,034	-
Unamortized bond issuance costs	-	408,610	408,610	-
Restricted assets (Notes 2 and 7)	-	952,491	952,491	-
Nondepreciable capital assets (Note 4)	720,620	2,240,640	2,961,260	-
Depreciable capital assets - Net (Note 4)	12,914,282	46,199,830	59,114,112	-
Unamortized goodwill	-	179,600	179,600	-
Total assets	41,218,943	56,465,366	97,684,309	264,004
Liabilities				
Accounts payable	1,160,811	592,038	1,752,849	7,360
Accrued liabilities	889,839	542,214	1,432,053	-
Deferred revenue (Note 3)	21,770	-	21,770	-
Due to primary government	-	-	-	62,892
Due to other governmental units	100,154	-	100,154	-
Estimated insurance and other liabilities	2,178,931	78,656	2,257,587	-
Provision for compensated absences:				
Due within one year	270,929	70,472	341,401	-
Due in more than one year	4,014,385	636,046	4,650,431	-
Long-term debt (Note 6):				
Due within one year	789,645	1,127,311	1,916,956	-
Due in more than one year	6,753,336	15,178,611	21,931,947	-
Total liabilities	16,179,800	18,225,348	34,405,148	70,252
Net Assets				
Invested in capital assets - Net of related debt	6,091,921	32,134,548	38,226,469	-
Restricted for:				
Solid waste management	2,027,272	-	2,027,272	-
Community Development Block Grant	1,323,183	-	1,323,183	-
Drain	744,897	-	744,897	-
Drug law enforcement	674,090	-	674,090	-
Bond debt service	523,735	952,491	1,476,226	-
Other purposes (Note 9)	1,370,569	-	1,370,569	-
Unrestricted	12,283,476	5,152,979	17,436,455	193,752
Total net assets	\$ 25,039,143	\$ 38,240,018	\$ 63,279,161	\$ 193,752

Charter Township of Redford

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 6,899,847	\$ 4,486,008	\$ 146,323	\$ 27,625
Public safety	17,333,647	2,053,455	18,607	-
Public works	4,612,107	207,261	-	-
Health and welfare	512,168	28,126	120,865	-
Community and economic development	2,059,937	813,946	1,139,728	168,391
Recreation and culture	917,007	242,395	-	-
Interest on long-term debt	378,517	-	-	-
Total governmental activities	32,713,230	7,831,191	1,425,523	196,016
Business-type activities:				
Indoor ice rink	587,317	420,454	-	-
Water and sewer	11,965,524	11,987,543	-	204,063
Golf course	1,349,772	1,384,271	-	-
Senior housing	484,885	580,817	-	-
Protective inspection	924,066	770,204	-	-
Total business-type activities	15,311,564	15,143,289	-	204,063
Total primary government	<u>\$ 48,024,794</u>	<u>\$ 22,974,480</u>	<u>\$ 1,425,523</u>	<u>\$ 400,079</u>
Component units:				
Downtown Development Authority	\$ 28,599	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	109,336	2,500	-	-
Total component units	<u>\$ 137,935</u>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Investment earnings				
Miscellaneous - Refunds and rebates				
Gain on sale of assets				
Transfers				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended March 31, 2005

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,239,891)	\$ -	\$ (2,239,891)	\$ -
(15,261,585)	-	(15,261,585)	-
(4,404,846)	-	(4,404,846)	-
(363,177)	-	(363,177)	-
62,128	-	62,128	-
(674,612)	-	(674,612)	-
(378,517)	-	(378,517)	-
(23,260,500)	-	(23,260,500)	-
-	(166,863)	(166,863)	-
-	226,082	226,082	-
-	34,499	34,499	-
-	95,932	95,932	-
-	(153,862)	(153,862)	-
-	35,788	35,788	-
(23,260,500)	35,788	(23,224,712)	-
-	-	-	(28,599)
-	-	-	(106,836)
-	-	-	(135,435)
17,866,328	-	17,866,328	144,689
5,763,781	-	5,763,781	-
356,473	77,367	433,840	2,963
223,274	-	223,274	-
10,259	11,500	21,759	-
(153,862)	153,862	-	-
24,066,253	242,729	24,308,982	147,652
805,753	278,517	1,084,270	12,217
24,233,390	37,961,501	62,194,891	181,535
\$ 25,039,143	\$ 38,240,018	\$ 63,279,161	\$ 193,752

Charter Township of Redford

Governmental Funds Balance Sheet March 31, 2005

	General Fund	Community Development Block Grant	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 9,092,392	\$ 422,342	\$ 7,442,530	\$ 16,957,264
Receivables - Net (Note 3)	1,366,088	1,041,368	1,690,990	4,098,446
Prepaid costs and other assets	1,392	-	-	1,392
Due from other funds (Note 5)	339,959	-	-	339,959
Due from component units	62,892	-	-	62,892
Due from other governmental units (Note 3)	1,579,125	-	68,975	1,648,100
Total assets	<u>\$ 12,441,848</u>	<u>\$ 1,463,710</u>	<u>\$ 9,202,495</u>	<u>\$ 23,108,053</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 754,828	\$ 6,671	\$ 399,312	\$ 1,160,811
Accrued liabilities	783,498	15,340	90,248	889,086
Due to other funds	-	118,516	37,694	156,210
Due to other governmental units	96,644	-	3,510	100,154
Deferred revenue (Note 3)	1,321,427	1,323,183	1,643,032	4,287,642
Deposits and other liabilities	207,543	-	-	207,543
Total liabilities	3,163,940	1,463,710	2,173,796	6,801,446
Fund Balances				
Reserved for:				
General Fund (Note 9)	328,822	-	-	328,822
911 dispatch	-	-	7,321	7,321
Debt service	-	-	466,667	466,667
Unreserved, reported in General Fund - Designated (Note 9)	8,949,086	-	-	8,949,086
Unreserved, reported in Special Revenue Funds - Undesignated	-	-	2,683,047	2,683,047
Unreserved, reported in Capital Projects Funds - Designated for future capital improvements	-	-	3,871,664	3,871,664
Total fund balances	<u>9,277,908</u>	<u>-</u>	<u>7,028,699</u>	<u>16,306,607</u>
Total liabilities and fund balances	<u>\$ 12,441,848</u>	<u>\$ 1,463,710</u>	<u>\$ 9,202,495</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	13,634,902
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,238,230
Delinquent personal and real property taxes are expected to be collected over several years and are not available to pay for current year expenditures	1,696,847
Deferred revenue related to grants was not collected within 60 days of year end and is not available to pay for current year expenditures	1,330,795
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(11,828,295)
Accrued interest is not due and payable in the current period and is not reported in the funds	(753)
Internal Service Funds are included as part of governmental activities	2,660,810
Net assets of governmental activities	<u>\$ 25,039,143</u>

Charter Township of Redford

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2005

	General Fund	Community Development Block Grant	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 13,538,670	\$ -	\$ 3,947,163	\$ 17,485,833
State sources	5,908,856	-	141,849	6,050,705
Federal sources	36,383	1,816,197	137,009	1,989,589
Licenses, permits, and fees	582,114	-	-	582,114
Charges for services	984,113	-	915,787	1,899,900
Fines and forfeitures	2,990,490	-	561,866	3,552,356
Interest income	183,190	-	105,701	288,891
Other	1,221,566	-	274,423	1,495,989
Total revenue	25,445,382	1,816,197	6,083,798	33,345,377
Expenditures				
Current:				
General government	6,839,092	-	-	6,839,092
Public safety	16,215,539	-	357,977	16,573,516
Public works	1,256,456	-	3,209,081	4,465,537
Health and welfare	141,929	-	391,607	533,536
Community and economic development	113,479	1,816,197	137,009	2,066,685
Recreation and culture	915,324	-	-	915,324
Capital outlay	-	-	879,686	879,686
Debt service	-	-	579,520	579,520
Total expenditures	25,481,819	1,816,197	5,554,880	32,852,896
Excess of Revenue Over (Under) Expenditures	(36,437)	-	528,918	492,481
Other Financing Sources (Uses)				
Transfers in (Note 5)	-	-	95,400	95,400
Transfers out (Note 5)	(249,262)	-	-	(249,262)
Total other financing sources (uses)	(249,262)	-	95,400	(153,862)
Net Change in Fund Balances	(285,699)	-	624,318	338,619
Fund Balances - Beginning of year	9,563,607	-	6,404,381	15,967,988
Fund Balances - End of year	<u>\$ 9,277,908</u>	<u>\$ -</u>	<u>\$ 7,028,699</u>	<u>\$ 16,306,607</u>

Charter Township of Redford

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ 338,619**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (618,535)

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, the proceeds are reduced by the net book value of the assets sold to report a gain (loss) (27,538)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (11,466)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33) 530,879

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 803,097

Changes in accrued interest on bonds, installment purchase obligations, and capital leases are an expenditure in the statement of activities, but not in the governmental funds 982

Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities 20,264

Internal Service Funds are also included as governmental activities (230,549)

Change in Net Assets of Governmental Activities **\$ 805,753**

Charter Township of Redford

Proprietary Funds Statement of Net Assets March 31, 2005

	Water and Sewer	Senior Housing	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash and investments (Note 2)	\$ 2,643,537	\$ 383,215	\$ 720,398	\$ 3,747,150	\$ 4,150,164
Receivables - Net	2,829,305	-	35,280	2,864,585	-
Due from other funds (Note 5)	-	-	-	-	12,000
Inventories and other assets	54,281	-	13,928	68,209	-
Deposits	-	-	-	-	470,034
Total current assets	5,527,123	383,215	769,606	6,679,944	4,632,198
Noncurrent assets:					
Unamortized bond issuance costs	333,455	32,214	42,941	408,610	-
Restricted assets (Note 7)	952,491	-	-	952,491	-
Capital assets (Note 4)	41,294,111	3,401,296	3,745,063	48,440,470	-
Unamortized goodwill	-	-	179,600	179,600	-
Total noncurrent assets	42,580,057	3,433,510	3,967,604	49,981,171	-
Total assets	48,107,180	3,816,725	4,737,210	56,661,115	4,632,198
Liabilities					
Current liabilities:					
Accounts payable	549,444	7,340	35,254	592,038	-
Accrued liabilities	431,277	63,368	47,569	542,214	-
Due to other funds	112,895	31,942	50,912	195,749	-
Other liabilities and advances	21,903	52,350	4,403	78,656	1,971,388
Current portion of compensated absences	52,203	-	18,269	70,472	-
Current portion of long-term debt	820,298	153,974	153,039	1,127,311	-
Total current liabilities	1,988,020	308,974	309,446	2,606,440	1,971,388
Noncurrent liabilities:					
Provision for compensated absences	386,773	16,290	232,983	636,046	-
Long-term debt - Net of current portion	11,385,881	3,106,150	686,580	15,178,611	-
Total noncurrent liabilities	11,772,654	3,122,440	919,563	15,814,657	-
Total liabilities	13,760,674	3,431,414	1,229,009	18,421,097	1,971,388
Net Assets					
Investment in capital assets - Net of related debt	29,087,932	141,172	2,905,444	32,134,548	-
Restricted assets	952,491	-	-	952,491	-
Unrestricted	4,306,083	244,139	602,757	5,152,979	2,660,810
Total net assets	<u>\$ 34,346,506</u>	<u>\$ 385,311</u>	<u>\$ 3,508,201</u>	<u>\$ 38,240,018</u>	<u>\$ 2,660,810</u>

Charter Township of Redford

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2005

	Water and Sewer	Senior Housing	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenue					
Charges for services	\$ 11,983,259	\$ 580,817	\$ 1,804,725	\$ 14,368,801	\$ -
Permits	-	-	770,204	770,204	-
Refunds and rebates	4,284	-	-	4,284	-
Township contributions	-	-	-	-	4,956,294
Total operating revenue	11,987,543	580,817	2,574,929	15,143,289	4,956,294
Operating Expenses					
Cost of water and sewer transmission and distribution	8,336,241	-	-	8,336,241	-
General and administrative costs	1,705,018	229,837	2,541,879	4,476,734	-
Depreciation and amortization	1,384,300	95,156	279,928	1,759,384	-
Benefit payments, reinsurance charges, and claim administration	-	-	-	-	5,254,425
Total operating expenses	11,425,559	324,993	2,821,807	14,572,359	5,254,425
Operating Income (Loss)	561,984	255,824	(246,878)	570,930	(298,131)
Nonoperating Revenue (Expense)					
Interest income	64,666	3,323	9,378	77,367	67,582
Interest expense	(539,965)	(159,892)	(39,348)	(739,205)	-
Transfers in	-	-	153,862	153,862	-
Gain on disposal of assets	-	-	11,500	11,500	-
Total nonoperating revenue (expense)	(475,299)	(156,569)	135,392	(496,476)	67,582
Capital Contributions	204,063	-	-	204,063	-
Change in Net Assets	290,748	99,255	(111,486)	278,517	(230,549)
Net Assets - Beginning of year, as restated (Note 13)	34,055,758	286,056	3,619,687	37,961,501	2,891,359
Net Assets - End of year	\$ 34,346,506	\$ 385,311	\$ 3,508,201	\$ 38,240,018	\$ 2,660,810

Charter Township of Redford

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2005

	Water and Sewer	Senior Housing	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities					
Receipts from customers	\$ 11,800,307	\$ 580,817	\$ 2,579,854	\$ 14,960,978	\$ -
Contributions received	-	-	-	-	4,956,294
Payments to suppliers	(8,174,144)	(135,386)	(1,362,728)	(9,672,258)	-
Payments to employees	(1,999,945)	(88,524)	(1,185,846)	(3,274,315)	-
Internal activity - Receipts from (payments to) other funds	(324,484)	(2,000)	(10,804)	(337,288)	258,001
Claims paid	-	-	-	-	(4,957,753)
Other receipts	4,284	-	-	4,284	-
Net cash provided by operating activities	1,306,018	354,907	20,476	1,681,401	256,542
Cash Flows from Noncapital and Related Financing Activities -					
Transfers in from other funds	-	-	153,862	153,862	-
Cash Flows from Capital and Related Financing Activities					
Proceeds from sale of assets	-	-	34,250	34,250	-
Purchase of capital assets	(647,886)	-	(101,809)	(749,695)	-
Contributions from federal sources	204,063	-	-	204,063	-
Principal and interest paid on capital debt	(1,719,965)	(346,115)	(188,204)	(2,254,284)	-
Net cash used in capital and related financing activities	(2,163,788)	(346,115)	(255,763)	(2,765,666)	-
Cash Flows from Investing Activities					
Interest received on investments	64,666	3,323	9,378	77,367	67,582
Purchase of investment securities	-	-	(1,499)	(1,499)	-
Proceeds from sale and maturities of investment securities	942,426	-	-	942,426	-
Net cash provided by investing activities	1,007,092	3,323	7,879	1,018,294	67,582
Net Increase (Decrease) in Cash and Cash Equivalents	149,322	12,115	(73,546)	87,891	324,124
Cash and Cash Equivalents - Beginning of year	3,424,465	371,100	789,184	4,584,749	3,826,040
Cash and Cash Equivalents - End of year	<u>\$ 3,573,787</u>	<u>\$ 383,215</u>	<u>\$ 715,638</u>	<u>\$ 4,672,640</u>	<u>\$ 4,150,164</u>
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 2,643,537	\$ 383,215	\$ 720,398	\$ 3,747,150	\$ 4,150,164
Restricted cash (Note 7)	930,250	-	-	930,250	-
Less amounts classified as investments	-	-	(4,760)	(4,760)	-
Total cash and cash equivalents	<u>\$ 3,573,787</u>	<u>\$ 383,215</u>	<u>\$ 715,638</u>	<u>\$ 4,672,640</u>	<u>\$ 4,150,164</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 561,984	\$ 255,824	\$ (246,878)	\$ 570,930	\$ (298,131)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	1,384,300	95,156	279,928	1,759,384	-
Changes in assets and liabilities:					
Receivables	(182,952)	-	4,925	(178,027)	-
Due from other funds	54,967	-	-	54,967	258,001
Inventory and other assets	(1,574)	6,563	2,440	7,429	-
Deposits	-	-	-	-	(245,992)
Accounts payable	(484,995)	(8,212)	(11,936)	(505,143)	-
Accrued and other liabilities	353,739	7,576	2,801	364,116	542,664
Due to other funds	(379,451)	(2,000)	(10,804)	(392,255)	-
Net cash provided by (used in) operating activities	<u>\$ 1,306,018</u>	<u>\$ 354,907</u>	<u>\$ 20,476</u>	<u>\$ 1,681,401</u>	<u>\$ 256,542</u>

There was no significant noncash investing, capital, or financing activities during the year ended March 31, 2005.

Charter Township of Redford

Fiduciary Funds Statement of Net Assets March 31, 2005

	Pension Trust Fund	Private Purpose Trust Fund (HIDTA)
Assets		
Cash and cash equivalents (Note 2)	\$ 5,812,608	\$ 175,289
Investments (Note 2):		
Corporate bonds	12,250,147	-
U.S. government securities	6,998,898	-
Common and preferred stock	35,891,293	-
Foreign securities	798,659	-
Limited partnerships	415,958	-
Receivables - Accrued interest	262,884	-
Due from other funds	-	5,290
Other assets	-	32,854
Total assets	62,430,447	213,433
Liabilities		
Accounts payable	618	4,144
Accrued and other liabilities	60	15,657
Due to other governmental units	-	96
Deferred revenue	-	193,536
Total liabilities	678	213,433
Net Assets - Held in trust	\$ 62,429,769	\$ -

Charter Township of Redford

Fiduciary Funds Statement of Changes in Net Assets Year Ended March 31, 2005

	Pension Trust Fund	Private Purpose Trust Fund (HIDTA)
Additions		
Investment income:		
Interest and dividends	\$ 2,312,334	\$ -
Net appreciation in fair value of investments	1,991,986	-
Investment expenses	(294,721)	-
	<hr/>	<hr/>
Net investment income	4,009,599	-
Contributions	3,362,320	-
Federal grants	-	2,948,161
	<hr/>	<hr/>
Total additions	7,371,919	2,948,161
Deductions		
Benefit payments	5,546,215	-
Refunds and withdrawals	183,499	-
Administrative expenses	72,675	-
Public safety expenses	-	2,948,161
	<hr/>	<hr/>
Total deductions	5,802,389	2,948,161
Net Increase	1,569,530	-
Net Assets Held in Trust		
Beginning of year	60,860,239	-
	<hr/>	<hr/>
End of year	<u><u>\$ 62,429,769</u></u>	<u><u>\$ -</u></u>

Charter Township of Redford

Component Units Statement of Net Assets March 31, 2005

	Downtown Development Authority	Brownfield Redevelopment Financing Authority	Total
Assets			
Cash and investments (Note 2)	\$ 255,246	\$ -	\$ 255,246
Delinquent taxes receivable	<u>4,023</u>	<u>4,735</u>	<u>8,758</u>
Total assets	259,269	4,735	264,004
Liabilities			
Accounts payable	43	7,317	7,360
Due to primary government	<u>-</u>	<u>62,892</u>	<u>62,892</u>
Total liabilities	<u>43</u>	<u>70,209</u>	<u>70,252</u>
Net Assets (Deficit) - Unrestricted	<u>\$ 259,226</u>	<u>\$ (65,474)</u>	<u>\$ 193,752</u>

Charter Township of Redford

		<u>Program Revenues</u>
	<u>Expenses</u>	<u>Charges for Services</u>
Downtown Development Authority - Public works	\$ 28,599	\$ -
Brownfield Redevelopment Authority - Community development	<u>109,336</u>	<u>2,500</u>
Total governmental activities	<u><u>\$ 137,935</u></u>	<u><u>\$ 2,500</u></u>
General Revenues		
Property taxes		
Interest		
Total general revenues		
Change in Net Assets (Deficit)		
Net Assets (Deficit) - Beginning of year		
Net Assets (Deficit) - End of year		

**Component Units
Statement of Activities
Year Ended March 31, 2005**

Net (Expense) Revenue and Changes in Net Assets		
Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ (28,599)	\$ -	\$ (28,599)
-	(106,836)	(106,836)
(28,599)	(106,836)	(135,435)
96,807	47,882	144,689
2,963	-	2,963
99,770	47,882	147,652
71,171	(58,954)	12,217
188,055	(6,520)	181,535
\$ 259,226	\$ (65,474)	\$ 193,752

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Redford (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Redford:

Reporting Entity

The Charter Township of Redford is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Blended Component Units

The Redford Township Building Authority is governed by a board that is appointed by the Township board. Although it is legally separate from the Township, it is reported in the General Fund as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

The Redford Township Police and Fire Retirement System has also been blended into the Township's financial statements. The system is governed by a five-member pension board that includes two individuals chosen by the Township board. The system is reported in a Trust Fund as if it were part of the primary government because of the fiduciary responsibility that the Township retains relative to the operations of the retirement system.

Discretely Presented Component Units

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the district. The DDA's governing body is appointed by the Township board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The DDA does not publish separately issued financial statements. The DDA can be contacted at the Township offices at 15145 Beech Daly Road, Redford Township, Michigan 48239.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

The Brownfield Redevelopment Financing Authority was established pursuant to Public Act 381 of 1996. The Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Township. The Authority's governing body is approved by the Township board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The Authority does not publish separately issued financial statements. The Authority can be contacted at the Township offices at 15145 Beech Daly Road, Redford Township, Michigan 48239.

The Housing Commission was primarily created to determine in what areas of the Township it is necessary to provide proper sanitary housing facilities for low-income families, for the elimination of unsafe housing conditions, and to rent housing facilities to low-income tenants. During June 2003, the program was turned over to the State of Michigan.

The Economic Development Corporation (the "EDC") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township, primarily through loans to eligible businesses. The EDC had no financial activity during the year ended March 31, 2005.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note I - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community Development Block Grant Fund - The Community Development Block Grant Fund accounts for projects and activities funded through the federally funded Community Development Block Grant program.

The Township reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the results of operations for providing water and sewer services to the citizens and businesses of the Township. The fund's primary revenues are generated through user charges from those requesting water and sewer services.

Senior Housing Fund - The Senior Housing Fund accounts for the results of operations for providing senior housing facilities to elderly citizens of the Township. The revenues are generated through monthly rental payments made by tenants.

Additionally, the Township reports the following fund types:

Internal Service Fund - The Internal Service Fund accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the Township, or to other governments, on a cost-reimbursement basis and to fund for any potential catastrophic losses.

Pension Trust Fund - The Police and Fire Pension Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.

Private Purpose Trust Fund (HIDTA) - The Federal Law Enforcement Trust Fund accounts for assets held by the Township in a trustee capacity.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2004 tax is levied and collectible on December 1, 2004 and is recognized as revenue in the year ended March 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2004 taxable valuation of the Township totaled \$1.3 billion (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 4.2918 mills for general operating purposes, 3.0040 mills for police and fire operating purposes, 2.6065 mills for police and fire pension, 2.6361 mills for solid waste management, 0.6017 mills for street lighting, 0.4631 mills for police station debt service, and 0.1096 mills for Dial-A-Ride operating purposes. This resulted in \$5.3 million for general operating purposes, \$3.7 million for police and fire operating purposes, \$3.2 million for police and fire pension, \$3.2 million for solid waste management, \$0.7 million for street lighting, \$0.6 million for police station debt service, and \$0.1 million for Dial-A-Ride operating purposes. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Charter Township of Redford's water and sewer lines.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads usage rights and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year, although assets purchased under that threshold may be capitalized at the Township's discretion. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	7 to 50 years
Road usage rights	15 years
Buildings and improvements	7 to 50 years
Water and sewer facilities	50 to 100 years
Water meters	20 to 60 years
CSO basin	30 years
Vehicles	3 to 10 years
Equipment	5 to 10 years
Office equipment	5 to 7 years
Furniture and fixtures	7 years

Goodwill - The Township purchased a golf course and is recording the activity in the Golf Course Fund (business-type activity). The excess of the purchase price over the fair market value of tangible assets was recorded as goodwill.

Amortization - Bond issuance costs and discounts recorded in the business-type activities are being amortized over the life of the bonds. A portion of the purchase price of the golf course has been recorded as goodwill in the Golf Course Fund and is being amortized over 20 years. For the year ended March 31, 2005, amortization of \$159,649 has been included in the operating expenses of the business-type activities, and accumulated amortization totaled \$1,434,410.

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 2 - Deposits and Investments (Continued)

The Township has designated 13 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs.

The Charter Township of Redford's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and investments	\$ 21,107,428	\$ 3,747,150	\$ 62,342,852	\$ 87,197,430	\$ 255,246
Restricted cash and investments (Note 7)	-	930,250	-	930,250	-
Total	<u>\$ 21,107,428</u>	<u>\$ 4,677,400</u>	<u>\$ 62,342,852</u>	<u>\$ 88,127,680</u>	<u>\$ 255,246</u>

The breakdown between deposits and investments for the Township is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 14,142,142	\$ 255,246
Investments in securities, mutual funds, and similar vehicles	73,960,280	-
Petty cash or cash on hand	<u>25,258</u>	<u>-</u>
Total	<u>\$ 88,127,680</u>	<u>\$ 255,246</u>

Deposits

The bank balance of the Township's deposits is \$17,569,963, of which approximately \$400,000 is covered by federal depository insurance and \$17,169,963 is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 2 - Deposits and Investments (Continued)

The component units' deposits had a bank balance of \$255,246, of which \$100,000 is covered by federal depository insurance and \$155,246 is uninsured and uncollateralized.

Investments

The Township is authorized by Michigan Public Act 20 of 1943, as amended, to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances, and investment pools that are composed of authorized investment vehicles. The Police and Fire Pension Trust Fund is also authorized by various State of Michigan laws to invest in certain corporate equity or debt instruments and certain other specified investment vehicles.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the Township or its agent in the Township's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At year end, the Township's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government:				
Corporate bonds	-	\$ 12,250,147	\$ -	\$ 12,250,147
U.S. government securities	-	6,998,898	-	6,998,898
Common and preferred stock	-	35,891,293	-	35,891,293
Foreign securities	-	798,659	-	798,659
Subtotal	\$ -	\$ 55,938,997	\$ -	55,938,997
Investments not subject to categorization:				
Bank investment pool funds				17,605,325
Limited partnerships				415,958
Total primary government				\$ 73,960,280

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 2 - Deposits and Investments (Continued)

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares.

Included in the Township pension investments at March 31, 2005 are the following:

- Approximately \$702,000 of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$6,297,000 of obligations of the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 3 - Receivables and Deferred Revenue

Receivables as of year end for the Township's individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities				Business-type Activities			
	General Fund	Community Development Block Grant	Nonmajor Funds	Total	Water and Sewer	Nonmajor Funds	Total	Total
Receivables:								
Taxes	\$ 1,339,744	\$ -	\$ 383,031	\$ 1,722,775	\$ -	\$ -	\$ -	\$ 1,722,775
Accounts	34,540	-	10,927	45,467	2,711,439	-	2,711,439	2,756,906
Interest and other	17,732	-	3,069	20,801	-	-	-	20,801
Special assessments	-	-	1,293,963	1,293,963	117,866	35,280	153,146	1,447,109
Housing rehabilitation loans	-	1,041,368	-	1,041,368	-	-	-	1,041,368
Intergovernmental	1,579,125	-	68,975	1,648,100	-	-	-	1,648,100
Less allowance for uncollectibles	(25,928)	-	-	(25,928)	-	-	-	(25,928)
Net receivables	<u>\$ 2,945,213</u>	<u>\$ 1,041,368</u>	<u>\$ 1,759,965</u>	<u>\$ 5,746,546</u>	<u>\$ 2,829,305</u>	<u>\$ 35,280</u>	<u>\$ 2,864,585</u>	<u>\$ 8,611,131</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 1,696,847	\$ -
Special assessments	1,238,230	-
Community Development Block Grant	1,323,183	-
FEMA Grant	7,612	-
Local Law Enforcement Block Grant	-	21,770
Total	<u>\$ 4,265,872</u>	<u>\$ 21,770</u>

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 4 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 720,620	\$ -	\$ -	\$ 720,620
Capital assets being depreciated:				
Land improvements	1,779,435	-	-	1,779,435
Road usage rights*	169,464	-	-	169,464
Buildings and improvements	14,920,214	-	-	14,920,214
Vehicles	2,393,648	240,566	81,666	2,552,548
Equipment	786,656	-	-	786,656
Office equipment	1,296,700	48,837	6,932	1,338,605
Furniture and fixtures	45,592	-	-	45,592
Subtotal	21,391,709	289,403	88,598	21,592,514
Accumulated depreciation:				
Land improvements	408,807	56,093	-	464,900
Road usage rights*	-	10,164	-	10,164
Buildings and improvements	4,704,432	324,936	-	5,029,368
Vehicles	1,530,749	237,363	54,128	1,713,984
Equipment	452,829	81,615	-	534,444
Office equipment	703,886	193,938	6,932	890,892
Furniture and fixtures	30,651	3,829	-	34,480
Subtotal	7,831,354	907,938	61,060	8,678,232
Net capital assets being depreciated	13,560,355	(618,535)	27,538	12,914,282
Net capital assets	\$ 14,280,975	\$ (618,535)	\$ 27,538	\$ 13,634,902

* Road usage rights represent the Township's contribution to roads owned and operated by the County, use of which will be amortized over 15 years.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 4 - Capital Assets (Continued)

	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 809,259	\$ -	\$ -	\$ 809,259
Construction in progress	1,577,865	643,500	789,984	1,431,381
Subtotal	2,387,124	643,500	789,984	2,240,640
Capital assets being depreciated:				
Water and sewer facilities	30,063,321	789,984	-	30,853,305
Water meters	1,954,750	17,353	-	1,972,103
CSO basin	18,950,477	-	-	18,950,477
Buildings and improvements	9,858,449	22,749	-	9,881,198
Vehicles	1,046,261	-	-	1,046,261
Equipment	2,616,560	66,093	68,145	2,614,508
Subtotal	64,489,818	896,179	68,145	65,317,852
Accumulated depreciation:				
Water and sewer facilities	5,815,302	453,385	-	6,268,687
Water meters	1,466,465	98,171	-	1,564,636
CSO basin	4,101,086	631,683	-	4,732,769
Buildings and improvements	3,321,147	250,732	-	3,571,879
Vehicles	771,708	56,374	-	828,082
Other equipment	2,087,974	109,390	45,395	2,151,969
Subtotal	17,563,682	1,599,735	45,395	19,118,022
Net capital assets being depreciated	46,926,136	(703,556)	22,750	46,199,830
Net capital assets	\$ 49,313,260	\$ (60,056)	\$ 812,734	\$ 48,440,470

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 4 - Capital Assets (Continued)

Capital asset activity for the Charter Township of Redford's component units for the year was as follows:

	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Component Units				
Capital assets being depreciated - Office equipment, furniture, and fixtures	\$ 57,489	\$ -	\$ -	\$ 57,489
Accumulated depreciation - Office equipment, furniture, and fixtures	<u>57,489</u>	<u>-</u>	<u>-</u>	<u>57,489</u>
Net capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 133,420
Public safety	570,581
Public works	127,930
Community and economic development	35,071
Recreation and culture	<u>40,936</u>
Total governmental activities	<u>\$ 907,938</u>
Business-type activities:	
Water and sewer	\$ 1,299,731
Senior housing	79,929
Ice rink	46,329
Golf course	<u>173,746</u>
Total business-type activities	<u>\$ 1,599,735</u>

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 4 - Capital Assets (Continued)

Construction Commitments - The Township has active construction projects at year end. The projects include the Berwyn sewer project and the Glenhurst Golf Course renovation project. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Berwyn sewer project	\$ 108,582	\$ 15,024
Glenhurst Golf Course renovation	39,085	7,333
Total	<u>\$ 147,667</u>	<u>\$ 22,357</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Local Law Enforcement Fund	\$ 359
	Community Development Block Grant Fund	118,516
	Home Grant Fund	37,335
	Water and Sewer Fund	100,895
	Senior Citizen Housing Fund	31,942
	Indoor Ice Rink Fund	30,854
	Golf Course Fund	20,058
	Total General Fund	339,959
Internal Service Fund - Self-insurance	Water and Sewer Fund	12,000
	Total	<u>\$ 351,959</u>

Interfund balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Capital Improvement Fund	(1) \$ 95,400
	Protective Inspection Fund	(2) <u>153,862</u>
Total		<u>\$ 249,262</u>

(1) Transfer for capital improvements

(2) Transfer for operations

Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. The Building Authority bond commitments are limited by the Township's legal ability to levy property taxes.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds - 1991 Refunded Bonds - Unlimited Tax Bonds (Police station) Amount of issue \$4,180,000 Maturing through 2011	4.00%-5.00%	\$410,000 - \$590,000	\$ 3,390,000	\$ 420,000	\$ 2,970,000	\$ 410,000
Building Authority bonds:						
1998A Fire Station Amount of issue \$3,000,000 Maturing through 2018	4.40% - 4.50%	\$125,000 - \$250,000	2,475,000	125,000	2,350,000	125,000
1998B Service Building Amount of issue \$1,500,000 Maturing through 2018	4.40% - 4.50%	\$50,000 - \$125,000	1,300,000	50,000	1,250,000	50,000
1999 Service Building Amount of issue \$500,000 Maturing through 2017	4.10% - 5.00%	\$20,000 - \$55,000	430,000	20,000	410,000	20,000
Installment purchase agreements:						
1997 Computer Telephone System (1) Amount of issue \$323,271 Maturing through 2005	4.41%	\$34,160	78,668	44,508	34,160	34,160
1999 Township Hall/District Court Renovations Amount of issue \$968,326 Maturing through 2009	4.64%	\$101,850 - \$111,636	526,535	97,284	429,251	101,850
2000 Fire Truck Amount of issue \$310,000 Maturing through 2007	5.05%	\$48,635 - \$50,935	145,875	46,305	99,570	48,635
Total governmental activities			<u>\$ 8,346,078</u>	<u>\$ 803,097</u>	<u>\$ 7,542,981</u>	<u>\$ 789,645</u>

(1) The bank equipment note payable is secured by specific equipment.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds:						
1995 Limited Tax Bonds	5.30%	\$ 250,000	\$ 475,000	\$ 225,000	\$ 250,000	\$ 250,000
Amount of issue \$5,050,000						
Maturing through 2006						
1994 Limited Tax Bonds (Combined Sewer Overflow)	-	-	125,000	125,000	-	-
Amount of issue \$2,450,000						
Maturing through 2005						
2004 Combined Sewer Overflow Refunding Bonds	2.00% - 3.625%	\$215,000 - \$575,000	5,495,000	100,000	5,395,000	215,000
Amount of issue \$5,495,000						
Maturing through 2016						
Building Authority bonds:						
1997 (Refunded Bonds) Golf Course Purchase	4.55% - 5.10%	\$1,825 - \$180,476	643,809	139,603	504,206	160,952
Amount of issue \$1,297,857						
Maturing through 2009						
1997 (Refunded Bonds) Senior Housing Project	4.55% - 5.10%	\$162,698 - \$245,000	1,951,191	175,397	1,775,794	169,048
Amount of issue \$2,257,143						
Maturing through 2013						
2004 Refunding Bonds Golf Course Purchase	2.13% - 2.50%	\$5,000 - \$205,000	410,000	10,000	400,000	5,000
Amount of issue \$410,000						
Maturing through 2009						
2004 Refunding Bonds Senior Housing Project	2.13% - 4.00%	\$5,000 - \$350,000	1,695,000	30,000	1,665,000	5,000
Amount of issue \$1,695,000						
Maturing through 2018						
Revenue bonds:						
1990 Revenue Bond	-	-	400,000	400,000	-	-
Amount of issue \$3,750,000						
Maturing through 2005						
Water Bonds Series 1998 - 1990 (Refunded Bonds)						
Revenue and Phase 7	4.20% - 5.00%	\$120,000 - \$205,000	2,150,000	115,000	2,035,000	120,000
Amount of issue \$4,490,000						
Maturing through 2018						
2001 Water Supply & Sewage Disposal System Bonds	4.00% - 6.00%	\$150,000 - \$400,000	4,000,000	100,000	3,900,000	150,000
Amount of issue \$4,200,000						
Maturing through 2020						
1994 Combined Sewer Overflow (I) State Revolving Fund Debt - Maturing through 2014	2.00%	\$17,897 - \$140,000	1,177,897	115,000	1,062,897	125,000
Deferred charge on refunding			(757,375)	(75,400)	(832,775)	(72,689)
Total business-type activities			\$ 17,765,522	\$ 1,459,600	\$ 16,155,122	\$ 1,127,311

(I) This represents preliminary draws on the Michigan Municipal Bond Authority. The total financing is expected to be \$2,740,000. Principal payments began in 1997, with interest charged at 2 percent.

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 789,645	\$ 350,441	\$ 1,140,086	\$ 1,200,000	\$ 662,584	\$ 1,862,584
2007	827,573	316,779	1,144,352	1,210,000	613,266	1,823,266
2008	806,636	277,054	1,083,690	1,290,000	570,984	1,860,984
2009	849,127	238,589	1,087,716	1,345,000	522,318	1,867,318
2010	845,000	199,140	1,044,140	1,420,000	476,437	1,896,437
2011-2015	2,245,000	530,925	2,775,925	6,337,897	1,640,317	7,978,214
2016-2020	1,180,000	105,875	1,285,875	4,185,000	438,597	4,623,597
Total	\$ 7,542,981	\$ 2,018,803	\$ 9,561,784	\$ 16,987,897	\$ 4,924,503	\$ 21,912,400

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 6 - Long-term Debt (Continued)

Interest - Total interest incurred by the Township for the year was approximately \$1,102,000.

In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At March 31, 2005, \$9,140,000 of bonds outstanding are considered defeased.

Note 7 - Restricted Assets

Restricted assets of the Water and Sewer Fund at March 31, 2005 consist of the following:

Cash and cash equivalents	\$ 930,250
Assets held at Wayne County for sewer line construction	<u>22,241</u>
Total assets restricted	<u><u>\$ 952,491</u></u>

The assets are restricted for the following purposes:

1998 revenue bonds debt	\$ 215,250
2001 revenue bonds debt	395,000
Sewage transmission line construction	22,241
Combined sewer overflow - Bond debt	<u>320,000</u>
Total	<u><u>\$ 952,491</u></u>

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for workers' compensation claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions; the Township is self-insured for medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 8 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

The Township estimates the liability for general liability and medical benefit claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Self-insurance Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability	Medical Benefits
Unpaid claims - April 1, 2003	\$ 669,564	\$ 768,973
Incurred claims (including claims incurred but not reported)	815,882	3,257,307
Claim payments	<u>(825,696)</u>	<u>(3,257,307)</u>
Unpaid claims - March 31, 2004	659,750	768,973
Incurred claims (including claims incurred but not reported)	1,298,260	4,200,634
Claim payments	<u>(986,622)</u>	<u>(3,969,607)</u>
Unpaid claims - March 31, 2005	<u>\$ 971,388</u>	<u>\$ 1,000,000</u>

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 9 - Fund Balance and Net Asset Reservations and Restrictions

The General Fund has reserved fund balance in the following amounts:

Reserved for restricted contributions	\$ 7,249
Reserved for police resource program	24,233
Reserved for ACT 302 training	31,203
Reserved for street lighting	146,164
Reserved for probation work release program	39,006
Reserved for long-term receivables	62,892
Other reserves	<u>18,075</u>
Total	<u>\$ 328,822</u>

The General Fund has designated fund balance for working capital needs of \$8,949,086. The working capital designation represents amounts needed to finance Township operations from April 1 until property taxes are collected again in December. Approximately two-thirds or \$9 million of the annual property tax levy and a percentage of the annual budgeted expenditures are needed for this purpose.

Net assets restricted for other purposes are composed of the following:

Street lighting	\$ 146,164
Probation work release program	39,006
Other General Fund restrictions	80,760
Dial-A-Ride	37,131
911 dispatch	277,839
Police station	223,332
Court building improvement	<u>566,337</u>
Total	<u>\$ 1,370,569</u>

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 10 - Single-employer Defined Benefit Pension Plan

Police and Fire Retirement System

Plan Description - The Police and Fire Pension Plan is a combination of a single-employer defined benefit pension plan and a single-employer defined contribution plan. The defined contribution portion of the plan was set up for the annual employees' contribution. The assets of the defined contribution plan are used to fund the defined benefit pension plan. Therefore, the two plans work together as a defined benefit pension plan. The plan is administered by the Redford Township Police and Fire Employees Retirement System; this plan covers substantially all police and fire employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At March 31, 2004, the date of the most recent actuarial valuation, membership consisted of 122 retirees and beneficiaries currently receiving benefits. The plan does not issue a separate financial report.

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units. The Township has assumed the responsibility to contribute 5 percent of employees' covered wages on behalf of the police and fire employees.

Annual Pension Cost - For the year ended March 31, 2005, the Township's annual pension cost was \$3,270,092. The actuarial valuation required a contribution of \$3,261,813; the interest on the cumulative prior year overpayments (net pension asset) was \$5,015 and the effect of the net pension asset on normal cost was \$13,294. The Township's actual contribution was \$3,261,813. The annual required contribution was determined as part of an actuarial valuation at March 31, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases ranging from 0 percent to 4.40 percent per year, attributable to merit/seniority. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 29 years.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 10 - Single-employer Defined Benefit Pension Plan (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended March 31		
	2005	2004	2003
Annual pension costs (APC)	\$ 3,270,092	\$ 3,061,809	\$ 2,759,080
Percentage of APC contributed	99.75%	99.75%	99.74%
Net pension obligation (asset)	\$ (63,365)	\$ (71,644)	\$ (79,381)

Municipal Employees' Retirement System of Michigan

Plan Description - The Township also participates in the Municipal Employees' Retirement System of Michigan, an agent multiple-employer defined benefit pension plan that covers a substantial number of employees of the Township other than police and fire employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 3 percent to 5 percent, which is paid by the Township.

Annual Pension Cost - For the year ended March 31, 2005, the Township's annual pension cost of \$1,104,980 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year attributable to inflation, and (c) additional projected salary increases ranging from 0 percent to 4.16 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 10 - Single-employer Defined Benefit Pension Plan (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended March 31		
	2005	2004	2003
Annual pension costs (APC)	\$ 1,104,980	\$ 1,037,873	\$ 994,568
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

	Valuation Year Ended December 31		
	2003	2002	2001
Actuarial value of assets	\$ 27,131,886	\$ 25,510,996	\$ 24,968,276
Actuarial accrued liability (AAL)	\$ 33,515,397	\$ 30,659,246	\$ 28,472,194
Unfunded AAL (UAAL)	\$ 6,383,511	\$ 5,148,250	\$ 3,503,918
Funded ratio	81%	83%	88%
Covered payroll	\$ 6,593,419	\$ 6,153,857	\$ 6,190,334
UAAL as a percentage of covered payroll	97%	84%	57%

Note 11 - Commitments

The Township has entered into a contract with a corporation that will manage the operations of the Glenhurst Golf Course. Under the terms of this contract, the Township has agreed to pay the corporation from its Golf Course (Enterprise) Fund a minimum fee of \$612,000 between April 1, 2005 and March 31, 2006 for services rendered during calendar year 2005. The Township has agreed to pay additional fees if certain golf course revenue is attained.

Note 12 - Other Postemployment Benefits

The Township provides health care benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, approximately 215 retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its health care plan, with no contribution required by the participant. The Township provides Medicare supplemental coverage for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the claims become due; during the year, this amounted to approximately \$2,332,000.

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 12 - Other Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

Note 13 - Prior Period Adjustment

Net assets have been restated as of March 31, 2004 for the Senior Housing Fund, Indoor Ice Rink Fund, and Golf Course Fund as of March 31, 2004 to account for salvage value on buildings which was not previously accounted for in the depreciation calculation. The recalculation affects net assets as follows:

Senior Housing Fund

Net assets - March 31, 2004, as previously reported	\$ 199,577
Effect of recalculating accumulated depreciation on certain Township buildings and improvements	<u>86,479</u>
Net assets - March 31, 2004, as restated	<u>\$ 286,056</u>

Indoor Ice Rink Fund

Net assets - March 31, 2004, as previously reported	\$ 430,068
Effect of recalculating accumulated depreciation on certain Township buildings and improvements	<u>74,677</u>
Net assets - March 31, 2004, as restated	<u>\$ 504,745</u>

Golf Course Fund

Net assets - March 31, 2004, as previously reported	\$ 2,959,725
Effect of recalculating accumulated depreciation on certain Township buildings and improvements	<u>119,504</u>
Net assets - March 31, 2004, as restated	<u>\$ 3,079,229</u>

Charter Township of Redford

Notes to Financial Statements March 31, 2005

Note 14 - Subsequent Event

Effective July 1, 2005, the Township transferred all operations of the ice arena facility to a private operator. The Township will collect lease revenue as part of the agreement.

Required Supplemental Information

Charter Township of Redford

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 9,134,132	\$ 9,563,607	\$ 9,563,607	\$ -
Resources (Inflows)				
Property taxes	13,651,000	13,472,000	13,538,670	66,670
Permits and licenses	517,220	587,220	582,114	(5,106)
State sources	5,945,000	6,041,499	5,908,856	(132,643)
Federal-shared and grant revenue	-	9,000	36,383	27,383
Charges for services	904,850	922,850	984,113	61,263
Fines and forfeitures	3,560,400	2,851,600	2,990,490	138,890
Interest income	130,000	175,000	183,190	8,190
Other	950,977	1,175,688	1,221,566	45,878
Total resources (inflows)	25,659,447	25,234,857	25,445,382	210,525
Charges to Appropriations (Outflows)				
General government:				
Legislative	90,803	90,803	91,958	(1,155)
District court	1,447,315	1,351,315	1,285,549	65,766
Criminal justice	815,000	580,500	620,692	(40,192)
Probation	409,605	307,805	286,237	21,568
Work program	116,572	78,372	62,677	15,695
Byrne probation grant	16,022	41,547	38,898	2,649
Drug court grant	-	38,000	39,546	(1,546)
Executive	181,663	201,663	197,055	4,608
Elections	89,888	89,888	92,259	(2,371)
Accounting	388,158	391,158	391,914	(756)
Assessor	281,798	306,798	333,058	(26,260)
Attorney	132,000	72,000	53,880	18,120
Clerk	370,249	370,249	378,735	(8,486)
Civil service	178,600	179,250	168,488	10,762
Police and fire civil service	6,650	7,110	4,519	2,591
Board of Review	5,735	5,735	270	5,465
Treasurer	401,939	452,639	458,238	(5,599)
Information systems department	428,988	453,888	463,406	(9,518)
Public service building maintenance	204,423	204,423	199,147	5,276
Buildings and grounds	470,178	542,341	505,172	37,169
General government	1,186,636	1,185,896	1,177,394	8,502
Public safety:				
Police	9,384,463	9,447,113	9,617,831	(170,718)
School resource officer	-	145,500	124,078	21,422
School crossing guard	45,614	50,614	43,477	7,137
Central dispatch	-	130,000	142,940	(12,940)
Fire	6,279,790	6,148,610	6,264,548	(115,938)
Transportation	37,500	37,500	36,555	945
Protective inspection	55,428	129,715	189,622	(59,907)

The Township's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Charter Township of Redford

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Charges to Appropriations (Outflows) (Continued)				
Public works:				
Department of Public Works	\$ 362,391	\$ 414,291	\$ 405,808	\$ 8,483
Highways and streets	949,000	881,250	875,648	5,602
Animal control	164,388	164,388	141,929	22,459
Recreation and culture:				
Recreation and parks	491,174	427,274	401,838	25,436
Parks facilities	484,509	487,849	485,214	2,635
Senior citizens	-	1,500	1,409	91
Boards and commission:				
Planning	54,632	47,172	46,364	808
Board of Appeals	32,387	41,872	40,470	1,402
Site	4,330	4,330	4,636	(306)
Historical	22,700	22,700	14,926	7,774
Sister city commission	8,775	8,775	5,105	3,670
Beautification commission	18,500	18,500	21,921	(3,421)
Youth commission	1,000	1,000	394	606
Senior citizens commission	20,660	20,660	11,543	9,117
Community promotion	3,000	5,000	5,058	(58)
Redford redevelopment	-	-	325	(325)
Debt service	-	-	350	(350)
Total charges to appropriations	<u>25,642,463</u>	<u>25,586,993</u>	<u>25,731,081</u>	<u>(144,088)</u>
Fund Balance - End of year	<u>\$ 9,151,116</u>	<u>\$ 9,211,471</u>	<u>\$ 9,277,908</u>	<u>\$ 66,437</u>

The Township's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Charter Township of Redford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Community Development Block Grant Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Resources				
Prior years CDBG entitlement	\$ 377,513	\$ 377,513	\$ 377,513	\$ -
Year 2004-2005 CDBG entitlement	1,161,000	1,161,000	793,597	(367,403)
Program income	<u>350,000</u>	<u>350,000</u>	<u>645,087</u>	<u>295,087</u>
Amounts available for appropriation	1,888,513	1,888,513	1,816,197	(72,316)
Charges to Appropriations				
Program year 2002 - B-02-MC-26-0029	25,609	25,609	25,609	-
Program year 2003 - B-03-MC-26-0029	351,904	351,904	351,904	-
Program year 2004 - B-04-MC-26-0029	<u>1,511,000</u>	<u>1,511,000</u>	<u>1,438,684</u>	<u>72,316</u>
Total charges to appropriations	<u>1,888,513</u>	<u>1,888,513</u>	<u>1,816,197</u>	<u>72,316</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Township's budget was adopted on a fund basis. The budget comparison shown above for the Community Development Block Grant Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Charter Township of Redford

Required Supplemental Information Pension System Schedule of Funding Progress March 31, 2005

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
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Police and Fire Retirement System

03/31/99	\$ 61,100,000	\$ 55,400,000	\$ (5,700,000)	110.3	\$ 6,000,000	(95.0)
03/31/00	64,000,000	59,400,000	(4,600,000)	107.7	5,900,000	(78.0)
03/31/01	65,300,000	64,000,000	(1,300,000)	102.0	6,400,000	(20.3)
03/31/02	64,500,000	66,000,000	1,500,000	97.7	6,600,000	22.7
03/31/03	63,000,000	69,600,000	6,600,000	90.5	6,200,000	106.5
03/31/04	62,100,000	73,700,000	11,600,000	84.3	6,500,000	178.5

The schedule of employer contributions is as follows:

Police and Fire Retirement System

Fiscal Year Ended March 31	Annual Required Contribution*	Percentage Contributed	Net Pension Obligation (Asset)
2000	\$ 1,882,263	99.69	\$ (99,686)
2001	1,785,632	99.65	(93,370)
2002	2,154,679	99.69	(86,612)
2003	2,759,080	99.74	(79,381)
2004	3,061,809	99.75	(71,644)
2005	3,270,092	99.75	(63,365)

* The required contribution is expressed to the Township as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of March 31, 2004, the latest actuarial valuation, follows:

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	29 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	4.5%-8.9%
*Includes inflation at	4.5%
Cost of living adjustments	N/A

Charter Township of Redford

Note to Required Supplemental Information March 31, 2005

Note - Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's *Bulletin for Audits of Local Units of Government in Michigan* dated April 1982:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. Budgeted expenditures cannot exceed budgeted revenues and fund balance.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The Township adopts its budget on a fund-total basis for all funds, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations. The Community Development Block Grant Fund's budget is adopted on a project basis, and does not lapse at year end. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets adopted by the Township board is included as required supplemental information. This comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns, to the nonmajor fund budgets as adopted by the Township board is available at the clerk's office for inspection.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township supervisor on or before 75 days prior to the commencement of the fiscal and budgetary year (April 1) shall prepare and submit to the board a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the board shall direct, and notice of such public hearing shall be published at least 10 days in advance thereof by the clerk.
3. The board shall, on or before 15 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

Charter Township of Redford

Note to Required Supplemental Information March 31, 2005

Note - Budgetary Information (Continued)

The annual budget is prepared by the Township management and adopted by the Township board; subsequent amendments are approved by the Township board. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers to/from other funds have been included in revenue and expenditures, rather than as other financing sources (uses).

The budget statements are presented on the same basis of accounting used in preparing the adopted budget.

The Charter Township of Redford had a \$144,087 budget overrun in General Fund expenditures for the year ended March 31, 2005.

Fund Deficit - The Township has an accumulated deficit in the following individual fund:

The Brownfield Redevelopment Authority has an accumulated deficit of \$70,209 at March 31, 2005 on a modified accrual basis that will be eliminated with future property tax capture.

Other Supplemental Information

Charter Township of Redford

	Special Revenue Funds						Debt Service Fund
	Dial-A-Ride	Home Grant	Drug Law Enforcement	Solid Waste Management	911 Dispatch	Local Law Enforcement	Police Station
Assets							
Cash and investments	\$ 59,274	\$ -	\$ 685,898	\$ 2,105,307	\$ 297,005	\$ 25,640	\$ 466,667
Receivables - Net	23,994	-	-	312,896	-	-	57,068
Due from other governmental units	-	51,445	-	-	-	-	-
Total assets	<u>\$ 83,268</u>	<u>\$ 51,445</u>	<u>\$ 685,898</u>	<u>\$ 2,418,203</u>	<u>\$ 297,005</u>	<u>\$ 25,640</u>	<u>\$ 523,735</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 8,660	\$ 14,110	\$ 11,808	\$ 361,549	\$ -	\$ -	\$ -
Accrued liabilities	37,477	-	-	29,382	19,166	-	-
Due to other funds	-	37,335	-	-	-	359	-
Due to other governmental units	-	-	-	-	-	3,510	-
Deferred revenue	13,068	-	-	312,896	-	21,771	57,068
Total liabilities	59,205	51,445	11,808	703,827	19,166	25,640	57,068
Fund Balances							
Reserved	-	-	-	-	7,321	-	466,667
Unreserved:							
Designated	-	-	-	-	-	-	-
Undesignated	24,063	-	674,090	1,714,376	270,518	-	-
Total fund balances	<u>24,063</u>	<u>-</u>	<u>674,090</u>	<u>1,714,376</u>	<u>277,839</u>	<u>-</u>	<u>466,667</u>
Total liabilities and fund balances	<u>\$ 83,268</u>	<u>\$ 51,445</u>	<u>\$ 685,898</u>	<u>\$ 2,418,203</u>	<u>\$ 297,005</u>	<u>\$ 25,640</u>	<u>\$ 523,735</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2005**

Capital Projects Funds								Total Nonmajor
Capital Improvement	Police Station	Drain	Public Improvement - Storm Water	Park	Sidewalk Improvement	Road Improvement	Court Building Improvement	Governmental Funds
\$ 967,850	\$ 223,332	\$ 741,828	\$ 530,667	\$ -	\$ 535,455	\$ 254,800	\$ 548,807	\$ 7,442,530
-	-	3,069	-	-	1,069,086	224,877	-	1,690,990
-	-	-	-	-	-	-	17,530	68,975
\$ 967,850	\$ 223,332	\$ 744,897	\$ 530,667	\$ -	\$ 1,604,541	\$ 479,677	\$ 566,337	\$ 9,202,495
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,185	\$ -	\$ 399,312
-	-	-	-	-	-	4,223	-	90,248
-	-	-	-	-	-	-	-	37,694
-	-	-	-	-	-	-	-	3,510
-	-	-	-	-	1,017,198	221,031	-	1,643,032
-	-	-	-	-	1,017,198	228,439	-	2,173,796
-	-	-	-	-	-	-	-	473,988
967,850	223,332	744,897	530,667	-	587,343	251,238	566,337	3,871,664
-	-	-	-	-	-	-	-	2,683,047
<u>967,850</u>	<u>223,332</u>	<u>744,897</u>	<u>530,667</u>	<u>-</u>	<u>587,343</u>	<u>251,238</u>	<u>566,337</u>	<u>7,028,699</u>
\$ 967,850	\$ 223,332	\$ 744,897	\$ 530,667	\$ -	\$ 1,604,541	\$ 479,677	\$ 566,337	\$ 9,202,495

Charter Township of Redford

	Special Revenue Funds						Debt Service Fund
	Dial-A-Ride	Home Grant	Drug Law Enforcement	Solid Waste Management	911 Dispatch	Local Law Enforcement	Police Station
Revenue							
Property taxes	\$ 135,160	\$ -	\$ -	\$ 3,236,749	\$ -	\$ -	\$ 575,254
State sources	120,865	-	-	-	3,465	-	-
Federal sources	-	137,009	-	-	-	-	-
Charges for services	20,424	-	-	-	221,400	-	-
Fines and forfeitures	-	-	393,960	-	-	-	-
Interest income	-	-	11,278	6,839	544	-	7,244
Other	30,054	-	22,000	14,949	-	-	-
Total revenue	306,503	137,009	427,238	3,258,537	225,409	-	582,498
Expenditures							
Current:							
Public safety	-	-	257,068	-	100,909	-	-
Public works	-	-	-	3,186,721	-	-	-
Health and welfare	391,607	-	-	-	-	-	-
Community and economic development	-	137,009	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	579,520
Total expenditures	391,607	137,009	257,068	3,186,721	100,909	-	579,520
Excess of Revenue Over (Under) Expenditures	(85,104)	-	170,170	71,816	124,500	-	2,978
Other Financing Sources - Transfers in	-	-	-	-	-	-	-
Net Change in Fund Balances	(85,104)	-	170,170	71,816	124,500	-	2,978
Fund Balances (Deficit) - Beginning of year	109,167	-	503,920	1,642,560	153,339	-	463,689
Fund Balances - End of year	\$ 24,063	\$ -	\$ 674,090	\$ 1,714,376	\$ 277,839	\$ -	\$ 466,667

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended March 31, 2005

Capital Projects Funds								
Capital Improvement	Police Station	Drain	Public Improvement - Storm Water	Park	Sidewalk Improvement	Road Improvement	Court Building Improvement	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,947,163
-	-	-	-	17,519	-	-	-	141,849
-	-	-	-	-	-	-	-	137,009
-	-	-	-	-	673,963	-	-	915,787
-	-	-	-	-	-	-	167,906	561,866
14,601	3,631	13,843	8,523	-	13,482	18,477	7,239	105,701
-	-	-	-	-	37,708	169,712	-	274,423
14,601	3,631	13,843	8,523	17,519	725,153	188,189	175,145	6,083,798
-	-	-	-	-	-	-	-	357,977
-	-	-	22,360	-	-	-	-	3,209,081
-	-	-	-	-	-	-	-	391,607
-	-	-	-	-	-	-	-	137,009
15,482	-	-	-	-	832,206	31,998	-	879,686
-	-	-	-	-	-	-	-	579,520
15,482	-	-	22,360	-	832,206	31,998	-	5,554,880
(881)	3,631	13,843	(13,837)	17,519	(107,053)	156,191	175,145	528,918
95,400	-	-	-	-	-	-	-	95,400
94,519	3,631	13,843	(13,837)	17,519	(107,053)	156,191	175,145	624,318
873,331	219,701	731,054	544,504	(17,519)	694,396	95,047	391,192	6,404,381
<u>\$ 967,850</u>	<u>\$ 223,332</u>	<u>\$ 744,897</u>	<u>\$ 530,667</u>	<u>\$ -</u>	<u>\$ 587,343</u>	<u>\$ 251,238</u>	<u>\$ 566,337</u>	<u>\$ 7,028,699</u>

Charter Township of Redford

Other Supplemental Information Combining Statement of Net Assets Nonmajor Enterprise Funds March 31, 2005

	Indoor Ice Rink	Golf Course	Protective Inspection	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Cash and investments	\$ 150	\$ 506,510	\$ 213,738	\$ 720,398
Receivables - Net	-	-	35,280	35,280
Inventories and other assets	3,484	10,444	-	13,928
Total current assets	3,634	516,954	249,018	769,606
Noncurrent assets:				
Unamortized bond issuance costs	-	42,941	-	42,941
Capital assets	452,246	3,292,817	-	3,745,063
Unamortized goodwill	-	179,600	-	179,600
Total noncurrent assets	452,246	3,515,358	-	3,967,604
Total assets	455,880	4,032,312	249,018	4,737,210
Liabilities				
Current liabilities:				
Accounts payable	13,545	19,690	2,019	35,254
Accrued liabilities	13,336	13,936	20,297	47,569
Due to other funds	30,854	20,058	-	50,912
Other liabilities and advances	-	4,403	-	4,403
Current portion of compensated absences	-	-	18,269	18,269
Current portion of long-term debt	-	153,039	-	153,039
Total current liabilities	57,735	211,126	40,585	309,446
Noncurrent liabilities:				
Provision for compensated absences	60,263	-	172,720	232,983
Long-term debt - Net of current portion	-	686,580	-	686,580
Total noncurrent liabilities	60,263	686,580	172,720	919,563
Total liabilities	117,998	897,706	213,305	1,229,009
Net Assets				
Investment in capital assets - Net of related debt	452,246	2,453,198	-	2,905,444
Unrestricted	(114,364)	681,408	35,713	602,757
Total net assets	<u>\$ 337,882</u>	<u>\$ 3,134,606</u>	<u>\$ 35,713</u>	<u>\$ 3,508,201</u>

Charter Township of Redford

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Nonmajor Enterprise Funds Year Ended March 31, 2005

	Indoor Ice Rink	Golf Course	Protective Inspection	Total Nonmajor Enterprise Funds
Operating Revenue				
Charges for services	\$ 420,454	\$ 1,384,271	\$ -	\$ 1,804,725
Permits	-	-	770,204	770,204
Total operating revenue	420,454	1,384,271	770,204	2,574,929
Operating Expenses				
General and administrative costs	540,988	1,076,825	924,066	2,541,879
Depreciation and amortization	46,329	233,599	-	279,928
Total operating expenses	587,317	1,310,424	924,066	2,821,807
Operating Income (Loss)	(166,863)	73,847	(153,862)	(246,878)
Nonoperating Revenue (Expense)				
Interest income	-	9,378	-	9,378
Interest expense	-	(39,348)	-	(39,348)
Transfers in	-	-	153,862	153,862
Gain on disposal of assets	-	11,500	-	11,500
Total nonoperating revenue (expense)	-	(18,470)	153,862	135,392
Change in Net Assets	(166,863)	55,377	-	(111,486)
Net Assets - Beginning of year (as restated)	504,745	3,079,229	35,713	3,619,687
Net Assets - End of year	<u>\$ 337,882</u>	<u>\$ 3,134,606</u>	<u>\$ 35,713</u>	<u>\$ 3,508,201</u>

Charter Township of Redford

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended March 31, 2005

	Indoor Ice Rink	Golf Course	Protective Inspection	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 420,454	\$ 1,384,271	\$ 775,129	\$ 2,579,854
Payments to suppliers	(206,544)	(1,085,611)	(70,573)	(1,362,728)
Payments to employees	(357,739)	-	(828,107)	(1,185,846)
Internal activity - Receipts from (payments to) other funds	21,854	(24,158)	(8,500)	(10,804)
Net cash provided by (used in) operating activities	(121,975)	274,502	(132,051)	20,476
Cash Flows from Noncapital and Related Financing Activities -				
Transfers in from other funds	-	-	153,862	153,862
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of assets	-	34,250	-	34,250
Purchase of capital assets	-	(101,809)	-	(101,809)
Principal and interest paid on capital debt	-	(188,204)	-	(188,204)
Net cash used in capital and related financing activities	-	(255,763)	-	(255,763)
Cash Flows from Investing Activities				
Interest received on investments	-	9,378	-	9,378
Purchase of investment securities	-	(1,499)	-	(1,499)
Net cash provided by investing activities	-	7,879	-	7,879
Net Increase (Decrease) in Cash and Cash Equivalents	(121,975)	26,618	21,811	(73,546)
Cash and Cash Equivalents - Beginning of year	122,125	475,132	191,927	789,184
Cash and Cash Equivalents - End of year	<u>\$ 150</u>	<u>\$ 501,750</u>	<u>\$ 213,738</u>	<u>\$ 715,638</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 150	\$ 506,510	\$ 213,738	\$ 720,398
Less amounts classified as investments	-	(4,760)	-	(4,760)
Total cash and cash equivalents	<u>\$ 150</u>	<u>\$ 501,750</u>	<u>\$ 213,738</u>	<u>\$ 715,638</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (166,863)	\$ 73,847	\$ (153,862)	\$ (246,878)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	46,329	233,599	-	279,928
Changes in assets and liabilities:				
Receivables	-	-	4,925	4,925
Inventory and other assets	-	2,440	-	2,440
Accounts payable	514	(12,552)	102	(11,936)
Accrued and other liabilities	(23,809)	1,326	25,284	2,801
Due to other funds	21,854	(24,158)	(8,500)	(10,804)
Net cash provided by (used in) operating activities	<u>\$ (121,975)</u>	<u>\$ 274,502</u>	<u>\$ (132,051)</u>	<u>\$ 20,476</u>

There was no significant noncash investing, capital, or financing activities during the year ended March 31, 2005.

Charter Township of Redford

**Federal Awards
Supplemental Information
March 31, 2005**

Charter Township of Redford

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Redford

We have audited the basic financial statements of Redford Township for the year ended March 31, 2005 and have issued our report thereon dated July 20, 2005. Those basic financial statements are the responsibility of the management of Redford Township. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Redford Township taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

July 20, 2005

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Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

To the Board of Trustees
Charter Township of Redford

We have audited the financial statements of Redford Township as of and for the year ended March 31, 2005 and have issued our report thereon dated July 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Redford Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redford Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

To the Board of Trustees
Charter Township of Redford

This report is intended solely for the information and use of management, the Township board, and the U.S. Department of Housing and Urban Development, as a cognizant agency, and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

July 20, 2005

Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with
OMB Circular A-133

To the Board of Trustees
Charter Township of Redford

Compliance

We have audited the compliance of Redford Township with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended March 31, 2005. The major federal program of Redford Township is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Redford Township's management. Our responsibility is to express an opinion on Redford Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Redford Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Redford Township's compliance with those requirements.

In our opinion, Redford Township complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2005.

To the Board of Trustees
Charter Township of Redford

Internal Control Over Compliance

The management of Redford Township is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Redford Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Township board, and the U.S. Department of Housing and Urban Development, as a cognizant agency, and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

July 20, 2005

Charter Township of Redford

Schedule of Expenditures of Federal Awards Year Ended March 31, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grant:			
Program year 2002 - B-02-MC-26-0029	14.218	N/A	\$ 25,609
Program year 2003 - B-03-MC-26-0029	14.218	N/A	351,904
Program year 2004 - B-04-MC-26-0029	14.218	N/A	<u>1,438,684</u>
Total Community Development Block Grant			1,816,197
HOME Investment Partnership Program - Passed through the State of Michigan	14.239	M-2002-5542	<u>137,009</u>
Total U.S. Department of Housing and Urban Development			1,953,206
U.S. Department of Justice - Passed through the State of Michigan - Byrne Formula Grant Program - Intensive supervision probation	16.579	9X-DB-VX-0026	16,370
Office of National Drug Control Policy - Southeastern Michigan - Passed through the State of Michigan:			
HIDTA - 2003 administrative support initiative	07.000	I3PSMP502	736,077
HIDTA - 2004 administrative support initiative	07.000	I4PSMP501Z	2,183,416
HIDTA - 2005 administrative support initiative	07.000	I5PSMP502Z	<u>28,668</u>
Total Office of National Drug Control Policy			2,948,161
U.S. Environmental Protection Agency - Rouge River National Wet Weather Demonstration Project Planning Phase II - Passed through Wayne County, Michigan	66.000	C-264000-01	35,672
Department of Homeland Security - Passed through the State of Michigan - Assistance to Firefighters Grant Program	97.044	EMW-2003-FG-16434	<u>27,625</u>
Total federal awards			<u>\$ 4,981,034</u>

Charter Township of Redford

Reconciliation of Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended March 31, 2005

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 4,937,750
Plus federal revenue not received within 60 days of year end in the governmental funds	7,612
Plus federal revenue included in the enterprise funds as capital contribution	<u>35,672</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 4,981,034</u>

Charter Township of Redford

Notes to Schedule of Expenditures of Federal Awards Year Ended March 31, 2005

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Redford Township and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount	
		Provided to Subrecipients	
Community Development Block Grant	14.218	\$	16,750

Charter Township of Redford

Schedule of Findings and Questioned Costs Year Ended March 31, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster
07.000	HIDTA administrative support initiative

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Charter Township of Redford

Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2005

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

July 20, 2005

Board of Trustees
Charter Township of Redford
15145 Beech Daly Road
Redford, MI 48239

Dear Board Members:

We have recently completed our audit of the financial statements of the Charter Township of Redford, Michigan for the year ended March 31, 2005. As a result of our audit, and in addition to our financial report, we offer the following comments and recommendations. Before getting into the specifics of our comments, we would like to take this opportunity to compliment your staff and management for the overall positive condition of the financial records and related documentation.

LEGISLATIVE ISSUES

Revenue Sharing

State shared revenue accounts for approximately 23% of the Township's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

2005

As you are probably aware, the Governor's budget for the State's 2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July (beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2005 fiscal year at the prior year levels. This plan was approved by the Michigan legislature and signed by the Governor.

July 20, 2005

State Revenue Sharing (Continued)

In February 2005, the Governor did unveil an Executive Order to remedy a \$375 million shortfall for the State's 2005 budget and it appears to propose no further cuts to revenue sharing. The Executive Order was rejected by the Michigan Legislature and negotiations continue. We will keep the Township updated on further developments.

2006

The Governor also introduced her 2006 budget with a \$773 million shortfall in February 2005. At this time, the budgeted amount for revenue sharing in 2006 is approximately the same as the 2005 funding level. The details on how the monies will be distributed on an individual community basis are yet to be confirmed.

The table below details state shared revenue for the Township over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state shared revenue experienced by the Township compared to the State's fiscal year 2001.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2001</u>
2001	3,834,941	3,349,865	7,184,806	-
2002	3,498,214	3,383,987	6,882,201	302,605
2003	3,104,691	3,441,277	6,545,968	638,838
2004	2,479,309	3,403,898	5,883,207	1,301,599
2005*	2,333,941	3,478,297	5,812,238	1,327,432
2006*	2,198,159	3,614,079	5,812,238	1,327,432

* Estimated

We will continue to update the Township as developments occur.

PERSONAL PROPERTY TAX

For personal property tax bills issued in the year 2000 and after, the revised personal property tax tables implemented by the State Tax Commission were in effect. In addition to revisions made to the general personal property tax tables, the State Tax Commission also approved new personal property tax tables for utilities. The new tables made drastic changes to the transmission and distribution property of utilities. General estimates are that the use of the new utility tables results in approximately a 30% revenue loss on those properties. The Township, like many other communities, has elected to continue to assess the transmission and distribution property of utilities using the old personal property tax tables. This issue was the subject of a lawsuit brought by several units of government against the State Tax Commission challenging the constitutionality of the new utility personal property tax tables. The new utility personal property tax tables implemented by the State Tax Commission were upheld in the lawsuit. The local units of government have appealed this decision. The State is currently in the process of determining how refunds will be made on appeals filed by the utilities pending the decision in the Court of Appeal case. The Township has estimated the potential refunds due to the utilities and have recorded a liability in the General Fund should this outcome be unfavorable and payment become due.

July 20, 2005

PROPERTY ASSESSMENT CAP

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2005	2.3%
2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%

Property taxes are the Township's largest source of revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the Township is involved in long-term financial planning.

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the Township. In general terms, if growth on the Township's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the Township to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the Township's existing property tax base was less than inflation, the Headlee Amendment allowed the Township to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back".

However, subsequent to the passage of Proposal A, the Township is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

MUNICIPAL FINANCE ACT - REMINDER

The Municipal Finance Act was amended during 2001. Beginning after March 2002, communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. The filing will serve as a pre-approval for debt issuances. The current filing is due within six months of the Township's year end (March 31, 2005) and is good through the extended due date of the financial statement filings (September 30, 2006).

FUNDING OF THE POST-EMPLOYMENT BENEFIT OBLIGATIONS

As mentioned in the previous year, the Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, the Township will need to continue to budget for contributions to a pre-funding plan. For many communities, the funding of post-employment benefits is the most significant financial challenge they will face in coming years. The statement will not be effective until the Township's fiscal year ended March 31, 2009. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue.

Board of Trustees
Charter Township of Redford

July 20, 2005

ACCOUNTING AND AUDITING ITEMS

WATER LOSS

An analysis of the Water and Sewer Fund resulted in a water loss calculation of 19%, down from 28% in the prior year. Water loss is the percent difference in the units of water sold to the Township by the City of Detroit and the amount of units billed to residents by the Township for usage.

Water loss can be caused by several factors, including municipal and hydrant use, water mains breaking, or inaccurate meters. The Township contracted a water loss study which has resulted in the finding of several underground water main breaks in addition to determining that one of the main City meters was inaccurate and therefore billing the Township incorrectly. We understand the meter has been fixed, but as of yet, the Township has not received anything from the City of Detroit regarding billing adjustments. We commend the Township for taking action in not only identifying the issue, but correcting the problem.

INTERNAL CONTROL CONSIDERATIONS

Due to the size of the Township, we realize that achieving the optimal level of segregation of duties is difficult. We would like to take this opportunity to remind you of the importance of maintaining offsetting controls in your system. We offer the following items for your consideration regarding the internal control structure:

- The current preparer of payroll also has the access to create an employee in the payroll system. To improve internal controls, the ability to create an employee should be limited to an individual who does not have the ability to prepare payroll.
- We noted that all monthly bank reconciliations were being completed, however, there not all bank reconciliation reviews were documented by way of dated sign offs of the preparer and reviewer. The Township should ensure the reviewer documents and dates all reconciliations and reviews.

We would like to, again, express our appreciation for the assistance and cooperation we have received from all the Township officials and their staff during the course of our examination. If any questions arise on reviewing the financial statements or the above comments, we would be happy to discuss them with you or assist in the implementation of any of the recommendations.

Very truly yours,

PLANTE & MORAN, PLLC



David H. Helisek



Wendy N. Trumbull

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moran